

# CITY COUNCIL REPORT



Meeting Date: **May 4, 2010**  
Charter Provision: ***Provide for the orderly government and administration of the affairs of the City***  
Objective: ***Adopt budgets***

## ACTION

**Budget Review Commission Recommendations.** Presentation, discussion, and possible direction to staff regarding the Budget Review Commission FY 2010/11 budget recommendations.

## BACKGROUND

The proposed budget for FY 2010/11 was released by the acting city manager and interim city treasurer on Thursday, April 1, 2010. The Budget Review Commission met that evening to hear an overview of the proposed budget and strategies used to develop the budget and capital improvement plan, as well as an overview of proposed rates and fees. The Commission subsequently held three meetings on April 8, 15, and 22 for the purpose of reviewing division budgets, including presentations from staff.

Commission meetings were held in the City Hall Kiva Forum, were broadcast live on CityCable 11, and were available for review via streaming video on the Web. There were public comment opportunities at each meeting. In addition, a form was available on the Commission's Web page for citizens to provide comment, and emails sent to [Budget@ScottsdaleAZ.gov](mailto:Budget@ScottsdaleAZ.gov) were forwarded to the Commission and the City Council. Minutes from each meeting and documents reviewed by the Commission are also available on the City's Web site. The proposed budget was also made available on the City's Web site at <http://www.ScottsdaleAZ.gov/finance>, at City Hall and at the libraries.

At the April 22, 2010 meeting, the Commission approved sending these recommendations to the City Council. The recommendations are consistent with the City Council's direction to the Commission in Ordinance No. 3843, which states: "It shall be the purpose of the Budget Review Commission to act as an advisory body to the City Council by reviewing and making recommendations on the proposed budget. Each fiscal year, with the assistance of a designee of the city manager and prior to the tentative budget adoption, and in accordance with the budget adoption schedule, the Commission shall provide written recommendations to the City Council regarding the following matters, listed in order of priority, as time and circumstances permit: (1) Operating Budget (Department and Program/Services Funding). (2) Capital Budget. (3) Revenue Forecast, Taxes and Fees. (4) Financial Policies."

Budget Review Commission members are: Louis Schmitt, Chair; Scott Miller, Vice Chair; Bob Berlese, Eric Borowsky, Martha Ecton, Michael Foster, and Donna Reagan.

In addition to Acting City Manager David E. Richert and Interim City Treasurer David N. Smith, the staff team assigned to support the Commission's work was: Senior Advisor Brent Stockwell and Budget Manager Judy McIlroy.

## **COMMISSION RECOMMENDATIONS**

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### **Operating Budget**

1. *Unanimously* support changes to the Transportation Fund that were provided by staff, with the provision that in six months the Budget Review Commission would revisit the issue based on the input of the Transportation Commission.
  - a. Recommend limiting reductions to transit to approximately \$1.4 million, comparable to the Lottery Fund sweep by the State of Arizona, with reductions to be identified through public hearing process by Transportation Commission, and changing the split of .20 dedicated sales tax to 60% operating, 40% capital to make additional funding (*up to* \$1.6 M) available for transit services with the caveat that the increase in operations funding will not be used to cover personnel expenses.
  - b. Recommend reducing required budget for street maintenance by *up to* \$2.9 M while maintaining a Pavement Condition Index of  $\geq 80$ . Unspent ARRA (federal stimulus) funding or increases in HURF tax collections could partially offset this reduction.
2. *Unanimously* support eliminating 2 FTEs and holding vacant 3.5 FTEs and making further reductions to employee-related costs, further reducing budgets for contracted services, printing, mailing, supplies and training for a total of \$1.6 M.
3. *Unanimously* support implementing further water conservation measures in the amount of \$.7 M to help offset phased elimination of the in-lieu tax.
4. *Unanimously* support the one-time strategy of transferring excess Health Care Trust Fund reserves back to General Fund \$3.2 M (\$.8 M to other funds) and employees.
5. *Unanimously* support the one-time strategy of applying beginning unreserved fund balance (prior year surpluses) as a source in the amount of \$4.2 M.
6. *Unanimously* support the one-time strategy of maintaining the contingency reserve at a level consistent with the historic average uses of \$2.5 M.
7. *Unanimously* recommend working with the Scottsdale Unified School District to change the split of funding of School Resource Officers from 77%/23% to no less than 50%/50% SUSD/City resulting in a possible decrease in General Fund revenues of \$187,764.

8. *Unanimously* recommend including the Public Safety Headquarters and Public Safety Radio Certificate of Participation financed projects in Bond 2010 to provide a long-term source for these projects other than General Funds.

9. *In the majority (Martha Ecton dissenting)* recommend asking the Council to refer to the voters the question of allowing a portion of the Preserve taxes to be used to fund operations and maintenance of the McDowell Sonoran Preserve, the time frame of the tax to be extended, and the operations of the Desert Discovery Center to be included in the discussion.

10. *Unanimously* recommend that the acting city manager and interim city treasurer begin work immediately to close the estimated shortfall in the FY 2011/12 and to bring forth expenditure reductions throughout the year.

### **Capital Budget**

11. For FY 2010/11, *unanimously* support no new projects in the CIP unless they have revenue sources, or there are emergency or safety issues.

12. *Unanimously* support closing annual CIP projects and old YXXXX Centers and completed projects with unspent balances totaling \$1.7 M.

13. *Unanimously* support moving operating projects with non-capital requirements to the operating fund totaling \$3.8 M in General/Transportation Funds to comply with accounting standards.

14. *In the majority (Martha Ecton dissenting)* support considering as part of the FY 11/12 budget balancing strategies suspending or modifying the requirement to “expend an amount equal to one percent of the city council approved budget for each capital improvement project for the commission and acquisition of public art,” and to coordinate that discussion with the Scottsdale Public Art Board.

### **Revenue Forecast, Rates, and Fees**

15. *Unanimously* support 2.5% increase in water rates, 3.0% increase in sewer rates, and no increase in solid waste rates, including a 5% decrease in monthly base water fee, noting this is an average total increase of 2.1% or \$1.65 a month to a typical residential utility bill.

16. *Unanimously* support the forecast assumptions including a 2% increase in sales tax revenues.

### **Financial Policies**

17. *Unanimously* support no changes at this time to the financial policies, and schedule a comprehensive review by the commission of all financial policies in the fall, as recommended by the interim city treasurer.

**Other Recommendations**

18. *Unanimously* recommend that staff release next year's proposed budget on March 1, 2011 to allow an additional month for review by the Commission.

19. *Unanimously* recommend staff include in the 2011/12 proposed budget the following information: performance measures, including workload indicators, for each division, and organization charts for divisions that show staffing levels and reporting relationships.

**RESPONSIBLE OFFICES**

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City Manager, City Treasurer – Finance & Accounting

**STAFF CONTACTS**

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**APPROVED BY**

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For the Budget Review Commission, Louis Schmitt, Chairman

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